

POLICE & FIRE RETIREMENT SYSTEM
BOARD OF TRUSTEES
CITY OF GRAND RAPIDS
MICHIGAN

MINUTES
REGULAR MEETING
MAY 15, 2019 – 11:05 a.m.
233 East Fulton

The meeting was called to order by Chairman Michael Hawkins. Other members present: Vice Chairman Craig VanderWall, Mr. Philip Balkema, Ms. Donijo DeJonge, Mr. Nathaniel Moody, and Mr. Robert Veenstra. Absent: Mr. Phillip Mitchell.

Also present: Ms. Peggy Korzen, Executive Director of the Retirement System, Mr. Thomas Michaud, Legal Advisor to the Board, Mr. James Anderson of Gabriel, Roeder, Smith & Company, Mr. Mark Klassen, Mr. Jeff Dood, Chief Financial Officer, and Mr. John Globensky, City Treasurer.

Chairman Hawkins introduced Mr. Robert Veenstra as the new Police Member Trustee; he will fill the unexpired term created by Mr. Thomas VanderPloeg's resignation; his term will end the first Monday in January 2022. Trustees welcomed him to the Board.

Mr. Balkema made the motion to excuse the absence of Mr. Mitchell. The motion was seconded by Mr. Moody and carried.

There were no public comments regarding agenda items.

Moved by Mr. Balkema and seconded by Mr. Moody, the following administrative items were approved by the Board of Trustees:

- Minutes of the regular meeting of March 20, 2019. Mr. Balkema suggested adding a sentence in the disability retiree re-examination paragraph to indicate that Trustees went back into open session before making their motion.
- Purchase of credited service by the following Police & Fire Retirement System members. All calculations have been prepared by this office and verified by the actuary.

David L. Bouwkamp	\$61,338.76	48 months
Joshua B. Cornell	\$61,338.76	48 months
Gretchen J. Galloway	\$61,338.76	48 months
Chad W. Kooyer	\$38,336.73	30 months
Michael D. Maycroft	\$84,288.60	48 months
Matthew J. Ostapowicz	\$84,288.60	48 months
John C. Wittkowski	\$34,467.56	24 months

- Purchase of military leave of absence – as provided for in Chapter 7, Section 1.243 (2) of City Code, Mr. Matthew R. Gonzalez has requested to purchase the period of credited service during which he was on leave of absence for active military service. The period of service to be purchased is three (3) days. The amount due of \$134.70 was calculated and verified by the Retirement Systems Office. Mr. Scott D. Klawon has requested to purchase the period of credited service during which he was on leave of absence for active military service. The period of service to be purchased is five (5) days. The amount due of \$169.05 was calculated and verified by the Retirement Systems Office.
- The following Resolution No. 834.

WHEREAS, the Board of Trustees of the Police and Fire Retirement System has received requests for two Age & Service and two Duty Disability retirements from the following members of the plan:

Age & Service Retirements:

Allen J. Hite, retired May 7, 2019 from the Police Department as a Police Officer,

Credited Service: Twenty-six years and eight months

Pension: \$4,825.76,

and . . .

Chad W. Kooyer, will retire June 2, 2019 from the Police Department as a Police Officer,

Credited Service: Thirty-two years

Pension: \$4,638.69,

and . . .

Duty Disability Retirements:

Benjamin J. Hawkins, retired March 22, 2019 from the Police Department as a Police Sergeant,

Credited Service: Ten years and seven months

Pension: \$5,317.97,

and . . .

Lyle T. Frederickson, retired March 22, 2019 from the Fire Department as a Fire Fighter,

Credited Service: Seventeen years and one month

Pension: \$4,333.87.

RESOLVED, that the retirements be approved.

- KEIP participants: The Board of Trustees of the Police and Fire Retirement System has received a request by one member of the plan to enter the KEIP Program and one member to exit the KEIP Program; also, due to a change in the calculation of vacation conversion, there are five revised KEIP benefit amounts:

Entering the KEIP Program:

<u>Ronald G. Tennant</u> ,	Deputy Fire Chief
KEIP Date:	May 17, 2019
Tentative KEIP End Date:	May 16, 2022
KEIP Benefit:	\$8,604.49

Exiting the KEIP Program:

Bruce D. Veldkamp, will exit the KEIP Program on May 18, 2019 from the Fire Department as a Battalion Fire Chief,

Credited Service: Thirty-two years

Pension: \$6,529.77. This amount was revised from \$6,466.88 due to a change in the calculation of vacation conversion; see minutes of August 15, 2018.

Revised KEIP Benefit:

Douglas S. Carley, Fire Captain
KEIP Date: January 12, 2017
Tentative KEIP End Date: January 11, 2020
Revised KEIP Benefit: \$6,377.41
Refer to Minutes: 12/21/16

Daniel DeBlaay, Fire Lieutenant
KEIP Date: January 4, 2018
Tentative KEIP End Date: January 3, 2023
Revised KEIP Benefit: \$5,971.35
Refer to Minutes: 02/21/18

James S. Gonzales, Fire Lieutenant
KEIP Date: November 5, 2018
Tentative KEIP End Date: November 4, 2023
Revised KEIP Benefit: \$5,763.75
Refer to Minutes: 11/14/18

Tony A. Rohloff, Fire Equipment Operator
KEIP Date: July 2, 2018
Tentative KEIP End Date: July 1, 2023
Revised KEIP Benefit: \$5,902.34
Refer to Minutes: 06/20/18

Richard L. Veldkamp, Fire Lieutenant
KEIP Date: July 6, 2018
Tentative KEIP End Date: July 5, 2020
Revised KEIP Benefit: \$6,323.69
Refer to Minutes: 06/20/18

- Payment of administrative expenses of \$7,769.87 for the period 03/01/19 – 04/30/19.
- **Investment Manager Fees:** Listed below are routine invoices for the quarter ending 03/31/19. All calculations, fees applied, and stated amounts under management have been verified by the Retirement Systems Office staff as correct:

\$27,495.59 – Baird Advisors (Fixed Income)
\$42,407.00 – Harding Loevner (ADRs)
\$37,771.51 – Harvest Fund Advisors (MLPs)

The motion carried.

Ms. Korzen presented the Public Act 314 Asset Analyses showing a market value of \$413,589,140 on February 28, 2019 and \$419,070,845 on March 31, 2019. The reports were received and filed by the Chairman. (Analyses found on pages)

Ms. Korzen next presented Trustees with the Quarterly Report of Account Refunds for the period 01/01/19 – 03/31/19; no members withdrew their contributions from the Police & Fire Retirement System. The report was received and filed by the Chairman. (Report on page)

The Executive Director presented Trustees with the Quarterly Report of Income for the quarter ending 03/31/19. Total Securities Lending income for the period was \$17,961.86. Total Class Action Settlement receipts for the period were \$10,710.29. Chairman Hawkins received and filed the report. (Report found on page)

Trustees reviewed a stipulated order rescinding an Eligible Domestic Relations Order (EDRO) for Mr. Andrew J. Nowack. Ms. Korzen stated that a stipulated order rescinding the previously approved EDRO has been approved in Ottawa County Circuit Court. The vacated EDRO has been reviewed by legal counsel and it is appropriate to receive and file the stipulated order rescinding the original EDRO. The vacated EDRO will become part of Mr. Nowack's file. The order was received and filed by the Chairman.

Mr. James Anderson of Gabriel, Roeder, Smith and Company (GRS) presented the 52nd Annual Actuarial Valuation, for the year ending December 31, 2018. Mr. Anderson noted that assets equaled 80.59% of computed accrued liabilities and that the City's contribution rate for the fiscal year beginning 07/01/19 will be 27.82%. Mr. Anderson noted that he was asked by the City to research the lag time between the valuation date and the date to which contribution rates apply. He stated that this valuation develops contribution rates for the fiscal year beginning July 1, 2019, a 6-month lag. If an 18-month lag were instituted, the contribution rates developed in the December 31, 2017 valuation, adjusted for timing, would apply for the fiscal year beginning July 1, 2019. On that basis, the computed employer contribution rates based on the 2017 valuation would be 24.79% for the fiscal year beginning July 1, 2018 and 24.95% for the fiscal year beginning July 1, 2019. The adjusted employer contribution rate from this December 31, 2018 valuation for the fiscal year beginning July 1, 2020 is 28.02%. Vice Chairman VanderWall asked if this is a common practice amongst other plans; Mr. Anderson responded yes. Ms. Korzen commented that this modification will require an ordinance change and she is getting this ready to send to the City Commission for their approval soon. Mr. Anderson provided a detailed report that included unfunded actuarial accrued liabilities of \$102,421,182, a ratio of active to retired employees of 0.7 to 1, a recognized rate of return of 3.90% compared to 7.15% projected, and a computed employer rate of 31.19% of valuation payroll (27.82% of Gross-Up payroll) amortized over a period of 30 years. He noted that liabilities exceeded assets in the Police & Fire System (a \$102.4 million unfunded actuarial accrued liability). In addition, Mr. Anderson provided information on GRS' comments regarding the valuation and observations regarding the implications of contribution allocation procedures of funding policy on future expected plan contributions and funded status. He also reviewed the limitations of funded status measurements and risks associated with measuring the accrued liability and actuarially determined contribution. Mr. Anderson commented on the financing of unfunded actuarial accrued liabilities and the derivation of valuation assets over the past three years. He noted that the Retirement System will be due for an Experience Study at the end of this year and provided comments on mortality assumptions. Following the presentation Mr. Balkema made the motion to approve the actuary's recommendation to transfer \$6,996,877 from the Employer Accumulation Fund to the Benefit Reserve Fund and \$5,154,255 from the Income Expense Fund to the Benefit Reserve Fund (ending balances in each reserve fund as of December 31, 2018 were assumed to be: Member Deposit Fund - \$46,610,797; Employer Accumulation Fund – (\$52,335,989); Benefit Reserve Fund - \$331,374,152; Income-Expense Fund - \$0). Seconded by Vice Chairman VanderWall, the motion carried. The report was received and filed by the Chairman.

Mr. James Anderson provided Trustees with the GASB 67 & 68 Plan Report and Accounting Schedules as of December 31, 2018. Mr. Anderson noted that the actuarial valuation determines funding status and contributions, and the liabilities are to reflect the funded status and the funding policy of the plan. He reviewed the report and provided some background on the various tables contained in the report. He noted that the net pension liability as of December 31, 2018 was \$143,158,770 and the net position as a percentage of total pension liability was 73.03%. The single discount rate was 7.15%, as was the long-term expected rate of return. Mr. Anderson reviewed the schedule of changes in the employer's net pension liability, the schedule of the employer's net pension liability, and schedule of contributions. He also reviewed the long-term expected return on plan assets. The report was received and filed by the Chairman.

The Executive Director next presented a request for a duty disability retirement by Fire Fighter Mark Klassen. Vice Chairman VanderWall made the motion to go into closed session to discuss Mr. Klassen's duty disability retirement request, information that is exempt from the Freedom of Information Act and is also medically privileged, and to include Mr. Mark Klassen, Ms. Korzen, Mr. Michaud, and Ms. Balkema. The motion was seconded by Mr. Balkema and carried. Roll call vote: yeas: 6, nays: 0. Trustees concluded their closed session and re-entered open session. Following Trustee discussion, Vice Chairman VanderWall made the motion to approve the duty disability retirement request for Fire Fighter Mark Klassen, based on the medical findings and reports that were presented. The motion was seconded by Mr. Veenstra and carried. Chairman Hawkins and Ms. DeJonge voted no. Mr. Balkema commented that this was a difficult decision; Mr. Klassen seemed to be in reasonably good health before working for the Grand Rapids Fire Department but then his health deteriorated after he began working for the City as a Fire Fighter. Trustees thanked Mr. Klassen for his service.

There were no public comments on items not on the agenda.

Ms. Korzen commented that at the March Board meeting, it was unclear at that time as to which investment management account funds should be transferred from for Cash Account needs for May and June 2019. After recent review of the investment accounts, Mr. Ford and the Executive Director agreed to transfer \$1,425,000 from the NTAM account to the Cash Account on May 1, 2019 and \$1,425,000 from the Wellington Management (Equities) account to the Cash Account on June 1, 2019.

The Executive Director commented that the annual gross-up factors that were calculated by the actuary for the Police Officers and Sergeants, Police Command, and Fire Fighter groups were revised due to the City erroneously including former members who joined the KEIP plan. The revision encompassed the period 07/01/17 – 06/30/19; the factor for the Police Officers and Sergeant and Police Command did not change during that timeframe. The factor for the Fire Fighters decreases from 10.3% to 10.2% for retirements from July 1, 2018 – June 30, 2019. There are a few Fire Fighter members that will need to have their pension (and KEIP) amounts recalculated due to this revision and the overpayments will be recovered.

The meeting adjourned at 12:02 p.m.

The next Police & Fire Retirement System Board Meeting will be held Wednesday, June 19, 2019, at 8:00 a.m., 233 East Fulton, Grand Rapids, Michigan.

Peggy Korzen
Executive Director
Police & Fire Retirement System